



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
STATE AUDITOR

June 27, 2018

Limited Internal Control and Compliance Review Management Report

Drew L. Snyder
Executive Director
Mississippi Division of Medicaid
550 High Street, Suite 1000

Dear Mr. Snyder:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the Mississippi Division of Medicaid for the Fiscal Year 2017. In these findings, the Auditor's Office recommends the Mississippi Division of Medicaid:

1. Ensure Compliance with State Law over Bank Accounts.
2. Ensure Compliance with State Purchasing Laws.

Please review the recommendations and submit a plan to implement them by July 6, 2018. The enclosed findings contain more information about our recommendations.

During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

This report is intended solely for the information and use of management, Members of the Legislature and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendations enable the Mississippi Division of Medicaid to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Division of Medicaid throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in black ink, reading "Stephanie C. Palmertree", is positioned above the typed name.

Stephanie C. Palmertree, CPA, CGMA
Director, Financial and Compliance Division

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi Division of Medicaid for the year ended June 30, 2017. The Office of the State Auditor's staff members participating in this engagement include Alan Jarrett, Selena Davis, Gloria Whitten, Richard Aultman, and Allen Case.

Our procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. Also, our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

In performing our review, we noted a certain matter involving internal control over financial reporting and instances of noncompliance that require the attention of management. These matters are noted under the headings **OTHER CONTROL DEFICIENCIES** and **INSTANCES OF NONCOMPLIANCE WITH STATE LAW**. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding: Agency Should Ensure Compliance with State Laws Over Bank Accounts.

Executive Summary: We found that the Mississippi Division of Medicaid did not adhere to the maximum balance as determined by the State Treasury and did not perform transfers in a timely manner.

Recommendation: We recommend the Mississippi Division of Medicaid ensure account balances are maintained as authorized by Department of Finance and Administration (DFA) and the Office of State Treasurer (Treasury), and that transfers to the State Treasury should be made timely in accordance with State law.

Detailed Analysis: During our review of bank accounts at the Mississippi Division of Medicaid, we noted the following problems.

- Agency did not comply with the minimum allowed balance of \$1,000,000 as approved by DFA and Treasury. The bank clearing account maintained monthly balances that ranged between \$1,192,574 and \$2,387,313 for five out of twelve months of the fiscal year.
- Agency only made two (2) transfers to Treasury during FY 17: one in November 2016 and one in March 2017.

Section 7-9-21, *Mississippi Annotated Code (1972)*, requires agencies to transfer monies deposited in agency clearing bank accounts to the State Treasury within two days and requires public funds to be deposited into the State Treasury by the end of the next business day following the day the funds are collected.

Section 7-9-12, *Mississippi Annotated Code (1972)*, allows agencies to request authorization from the Department of Finance and Administration (DFA) and the Office of State Treasurer (Treasury) to open a bank account to serve as a collection or clearing account. Each account established shall have a maximum balance to be fixed by Treasury.

Finding: Agency Should Ensure Purchases are Paid in a Timely Manner.

Executive Summary: Five instances were noted in which a payment request was not filed timely by the agency. State law dictates a specified time period for timely payment of state obligations.

Recommendation: We recommend the Mississippi Division of Medicaid ensure compliance with state purchasing laws. Requests for payments should be filed with the Department of Finance and Administration (DFA) timely in accordance with state law.

Detailed Analysis: During our review of twenty-five (25) contractual services expenditures at the Mississippi Division of Medicaid, we noted five (5) instances in which the payments were not made within 30 days of receipt of the invoice and goods and services as required by state law.

Section 31-7-303, *Mississippi Code Ann. (1972)*, requires payment requests to be filed with the Department of Finance and Administration (DFA) within 30 days of the receipt of the invoice and receipt, inspection and approval of the goods or services. Within the Mississippi Accountability System for Government Information and Collaboration (MAGIC), payment requests are filed with DFA when an agency releases the payment in MAGIC, which routes the payment request to DFA for approval via electronic workflow. Failure to submit payment requests within 30 days of the receipt of the invoice and receipt, inspection and approval of the goods and services could result in additional expenses being incurred by the agency through finance charges.

End of Report